Registered No SC177810

SLC Turnberry Limited

Report and Financial Statements

31 December 2008

Registered No. SC177810

Directors
Tony Charles Sole
David Thomas Spencer
Abdul Wahid Al Ulama

Secretary
Tony Charles Sole

Auditors
Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Registered Office
Turnberry Hotel
Ayrshire
KA26 9LT

Bankers
Bank of Scotland
17 Dalrymple Street
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The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The loss for the year, after taxation, amounted to £11,167,000 (2007: loss of £725,000). The directors do not recommend the payment of any dividends (2007: £nil).

Principal activities and review of the business

The company's principal activity during the year continued to be that of the operation of the Turnberry Resort and associated leisure facilities.

On 31 October 2008 the ownership changed from Starwood to Leisurecorp Scotland Limited, with Starwood continuing as the operator for The Turnberry Resort. The hotel was closed for refurbishment from 1 November 2008 to change the brand from Westin to Luxury Collection. As a result of the refurbishment fixed assets with a book value of £ 7,010,440 have been written off during the year, this has been shown as an exceptional item in the profit and loss account.

The company's key financial and other performance indicators during the year were as follows:

	2008	*2007*
	£000	*£000*
Turnover	13,979	15,952
EBITDA	733	802
Loss after tax	(11,167)	(725)
Customer satisfaction (score out of 10)	7.99	7.97

The company's revenue decreased in 2008 primarily due to the closure of the hotel on 1 November 2008 for a major refurbishment and due to the decline in corporate/leisure travel globally for resort properties.

Customer satisfaction is a key performance indication to the company and all customer questionnaires are completed through an independent third party as part of Starwood, the operator program. Customer satisfaction has remained at a high level.

Principal risks and uncertainties

The company continues to look at risks and uncertainties during its budgeting process and monthly strategic meetings.

- *Competitive risks*

The company operates at the upper end of the competitive Scottish resort market. Risks are possible from either new competitor openings, but in the main from existing competitors investing in product refurbishments and expansion and competitive price pressure as a result of economic decline..

- *Economic risks*

The company is reliant on healthy economies in all its major markets; being UK, USA and Europe. The recent economic upheaval, in particularly in the US, poses some risk to the high end market as individuals experience reduced disposable income and companies look for cost saving exercises.

- *Exchange rate risks*

A significant element of the company's revenues is dependant on non-UK based businesses. Adverse exchange rate fluctuations of major currencies (specifically Euro) are a potential risk to the company.

- *Liquidity risk*

Liquidity risk is the risk that the company will have insufficient debt facilities to meet future obligations. The company aims to mitigate liquidity risk by managing cash generation by its operations. Further, the company regularly reviews its borrowing facilities to ensure funds are available to meet planned debt requirements plus a contingency.

Future developments

The first phase of the refurbishment of the hotel was completed in July 2009. The refurbishment has changed the resort from a Westin to Luxury collection. As a result of the investment and re-branding of the resort to a Luxury Collection, despite the adverse economic conditions, the directors remain optimistic that the company will deliver growth over future years.

Following the opening of the hotel in July 2009 the directors anticipate strong sales for the remainder of 2009 driven as a result of the refurbishment and the resort hosting The Open Championship in July 2009 and the publicity this has generated.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The company is an equal opportunities employer.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. Company policies in this regard are regularly reviewed with the objective of ensuring that these standards are achieved.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various matters affecting the performance of the company. This is achieved through formal and informal meetings.

Directors

The directors who served the company during the year are listed below:

Tony Charles Sole	(appointed 31 10 2008)
David Thomas Spencer	(appointed 31 10 2008)
Abdul Wahid Al Ulama	(appointed 27 01 2009)
Stewart Selbie	(resigned 31 10 2008)
Stefaan Haegeman	(resigned 31 10 2008)
Michael Wale	(resigned 31 10 2008)
Robert Scott	(resigned 31 10 2008)
Alan John Rogers	(appointed 31 10 2008; resigned 27 01 2009)

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. At 31 December 2008, the company had an average of 21 days purchases outstanding in trade creditors.

Registered No. SC177810

Statement as to disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to have made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Secretary

31 July 2009

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of SLC Turnberry Limited

We have audited the financial statements of SLC Turnberry Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of SLC Turnberry Limited (continued)

Opinion

In our opinion:

- thc financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
Glasgow

31 July 2009

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2008 £000	2007 £000
Turnover	2		13,979	15,952
Cost of sales			(8,631)	(9,369)
Gross profit			5,348	6,583
Administrative expenses				
- Before exceptional items		(7,882)		(7,440)
- Tangible fixed assets write off	3	(7,010)		-
			(14,892)	(7,440)
Operating loss	4		(9,544)	(857)
Interest receivable	7		51	238
Interest payable and similar charges	8		(1,760)	(1,288)
Other finance income/(costs)	9		-	40
Loss on ordinary activities before taxation			(11,253)	(1,867)
Tax credit on loss on ordinary activities	10		86	1,142
Loss for the financial year			(11,167)	(725)

The results have been derived wholly from continuing operations in both years.

Statement of total recognised gains and losses

	2008 £000	2007 £000
Loss for the financial year	(11,167)	(725)
Actuarial loss recognised on the pension scheme	(831)	(97)
Total gains and losses for the financial year	(11,998)	(822)

Balance sheet

for the year ended 31 December 2008

	Notes	*2008* *£000*	*2007* *£000*
Fixed assets			
Tangible assets	11	30,151	34,474
Investments	12	3,331	3,331
		33,482	37,805
Current assets			
Stocks	13	336	442
Debtors	14	1,442	4,104
Cash at bank and in hand		462	434
		2,240	4,980
Creditors: amounts falling due within one year	15	35,943	15,083
Net current liabilities		(33,703)	(10,103)
Total assets less current liabilities		(221)	27,702
Creditors: amounts falling due after more than one year	16	-	15,925
		(221)	11,777
Net pension position	17	-	-
		(221)	11,777
Capital and reserves			
Called up share capital	21	-	-
Capital reserve	22	18,374	18,374
Profit and loss account	22	(18,595)	(6,597)
Equity shareholders' funds	22	(221)	11,777

Approved by the board of Directors on 31 July 2009 and signed on its behalf by

Director

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation and change in accounting policy

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The Company does not prepare consolidated financial statements as it takes advantage of thc exemption provided under s228 of the companies Act 1985. The company's financial statements present information about it as an individual undertaking and not about its group.

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

In preparing the financial statements for the current year, the company has adopted the amendment to FRS 17 'Retirement Benefits'. The adoption has resulted in a change in accounting policy for the valuation of quoted securities included in plan assets. The fair values of these securities are now based on the current bid price, rather than the mid market value as previously used by the company. There was no material impact on the balance sheet, profit and loss account and statement of total recognised gains and losses. The amendment to FRS 17 also aligns the disclosures in the standard with those of the equivalent International Accounting Standard 19. These disclosures have been given in note 17.

Going concern

The company had net current liabilities at 31 December 2008. The directors have drawn up the financial statements on a going concern basis as Leisurecorp LLC, the ultimate parent undertaking has confirmed it will provide all necessary financial support to the company for the foreseeable future to enable it to continue trading and to meet its financial obligations as they fall due.

Fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	40 years
Fixtures, fittings and equipment	–	2 to 20 years

Investments

Fixed asset investments are shown at cost less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over the shorter of lease term and their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis.

Pension schemes

For defined benefit schemes the amounts charged to operating profit are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments until vesting occurs. The interest cost and the expected return on assets are included as other finance costs. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Pension schemes (continued)

Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds, or are unfunded. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Share-based payments

Equity settled transactions

The cost of equity settled transactions– restricted stock – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using market values. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity.

Cash settled transactions

The cost of cash settled transactions – stock options – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the stock options become fully vested. Fair value is determined by using market values. As this entity does not have a specific liability to make a cash payment to its employees to settle the award, the expense at the balance sheet date is recognised in the income statement with a corresponding entry in equity.

2. Turnover

Turnover comprises amounts derived from the provision of goods and services falling within the company's ordinary activities after deduction of value added tax, other sales related taxes and trade discounts. Turnover arises solely from the company's principal activity within the United Kingdom.

3. Exceptional items

Included in operating loss

	2008	*2007*
	£000	*£000*
Impairment of tangible fixed assets	7,010	-

As a result of the refurbishment fixed assets with a book value of £7,010,440 have been scrapped and written off in full during the year.

Notes to the financial statements

at 31 December 2008

4. Operating loss

This is stated after charging/(crediting):

	2008	*2007*
	£000	*£000*
Auditors' remuneration - audit services	54	48
Depreciation of owned fixed assets	1,779	1,639
Impairment of Building	7,010	-
Depreciation of assets held under finance leases and hire purchase contracts	22	20
Operating lease rentals - plant and machinery	75	98
Rental income	(6)	(6)

5. Staff costs

	2008	*2007*
	£000	*£000*
Wages and salaries	5,944	6,504
Social security costs	526	585
Other pension costs	44	40
Share Based Payments	51	53
	6,565	7,182

The monthly average number of employees during the year was made up as follows:

	2008	*2007*
	No.	*No.*
Operating employees	272	287
Administrative employees	33	35
	305	322

6. Directors' emoluments

	2008	*2007*
	£000	*£000*
Emoluments	178	159

	2008	*2007*
	No.	*No.*
Members of defined benefit pension schemes	-	-

Notes to the financial statements

at 31 December 2008

7. Interest receivable

	2008	*2007*
	£000	*£000*
Interest receivable	44	98
Foreign exchange gain on promissory note	7	140
	51	238

8. Interest payable and similar charges

	2008	*2007*
	£000	*£000*
On intercompany loans (note 16)	1,721	406
On promissory note (note 16)	35	877
Finance charges payable under finance leases and hire purchase contracts	4	5
	1,760	1,288

9. Other finance income/(costs)

	2008	*2007*
	£000	*£000*
Expected return on pension scheme assets	255	273
Interest on pension scheme liabilities	(255)	(233)
	-	40

10. Taxation on ordinary activities

(a) Tax credit on loss on ordinary activities

The tax credit is made up as follows:

	2008	*2007*
	£000	*£000*
Current tax:		
Group relief receivable	-	(1,258)
Tax under/ (over) provided in previous year	(86)	116
Total current tax credit (note 10(b))	(86)	(1,142)

Notes to the financial statements

at 31 December 2008

10. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities is higher than the standard rate of corporation tax in the UK of 28.50 % (2007: 30%). The differences are reconciled below:

	2008 £000	2007 £000
Loss on ordinary activities before taxation	(11,253)	(1,867)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5 % (2007: 30%)	(3,207)	(560)
Effects of:		
Expenses not deductible/(income not taxable) for tax purposes	1,132	(88)
Capital allowances in advance of depreciation	1,018	54
Pensions timing difference	-	(80)
Other timing differences	(709)	(584)
Group relief surrendered for nil payment	1,799	-
Tax (over)/under provided in previous years	(87)	116
Unrelieved tax losses carried forward	205	-
Pension provision	(237)	-
Total current tax credit (note 10(a))	(86)	(1,142)

(c) Deferred tax

Deferred tax is provided at 28% (2007- 28%) in the financial statements as follows:

	2008 £000	2007 £000
Accelerated capital allowances	3,646	4,582
Other timing differences	-	(946)
Trading losses	(3,646)	(3,636)
	-	-

The company has further trading losses carried forward resulting in a deferred tax asset of £522,000 (2007: £331,000). This is not recognised as there is no certainty of suitable taxable profits in the future against which the losses can be offset.

Notes to the financial statements

at 31 December 2008

11. Tangible fixed assets

	Freehold land and buildings £000	*Fixtures, fittings and equipment £000*	*Construction in progress £000*	*Total £000*
Cost:				
At 1 January 2008	41,493	6,740	-	48,233
Additions	-	299	4,167	4,466
At 31 December 2008	41,493	7,039	4,167	52,699
Depreciation:				
At 1 January 2008	9,773	3,986	-	13,759
Provided during the year	1,146	633	-	1,779
Disposal	6,693	317	-	7,010
At 31 December 2008	17,612	4,936	-	22,548
Net book value:				
At 31 December 2008	23,881	2,103	4,167	30,151
At 31 December 2007	31,720	2,754	-	34,474

At 31 December 2008 the net book value of tangible fixed assets held under finance leases and hire purchase contracts was £6,395 (2007: £28,000). Depreciation charged for the year on these assets amounted to £21,605 (2007: £20,000).

As a result of the refurbishment fixed assets with a book value of £7,010,440 have been scrapped and written off in full during the year.

12. Investments

	Subsidiary undertaking £000
Cost:	
At 1 January 2008 and 31 December 2008	3,331

The above investment represents the company's investment in the following subsidiary undertaking:

	Country of registration	*Principal activity*	*Description and proportion of share capital*
Nitto World Co. Limited	England	Non-trading	100% ordinary share capital

Notes to the financial statements

at 31 December 2008

13. Stocks

	2008 £000	2007 £000
Finished goods and consumables	336	442

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

14. Debtors: amounts falling due within one year

	2008 £000	2007 £000
Trade debtors	542	488
Other debtors	767	12
Prepayments and accrued income	133	144
Amounts owed by other group undertakings	-	3,460
	1,442	4,104

15. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Obligations under finance leases and hire purchase contracts (note 19)	8	22
Trade creditors	572	543
Other taxation and social security	199	178
Amounts owed to other group undertakings	33,974	12,962
Accruals and deferred income	1,190	1,378
	35,943	15,083

Amounts owed to other group undertakings includes a loan of £23,435,000 from Leisurecorp Scotland Limited. The loan is repayable on demand and attracts interest at 12 percent per annum.

16. Creditors: amounts falling due after one year

	2008 £000	2007 £000
Obligations under finance leases and hire purchases contract (note 19)	-	7
Amounts owed to other group undertakings	-	10,665
Promissory note	-	5,253
	-	15,925

Notes to the financial statements

at 31 December 2008

17. Net pension position

The company provides pension arrangements for certain permanent employees through the Turnberry Hotel Pension Scheme.

On 31 March 2006, the scheme was closed to future accrual. The deficit in the scheme is being funded by contributions from the company.

The most recent actuarial valuation was as at 31 December 2005 and has been updated by a qualified actuary to take account of the requirements of FRS 17, in order to assess the liabilities of the scheme at 31 December 2008. Scheme assets are stated at their market value at the respective balance sheet dates.

The main assumptions are as follows:

	2008	*2007*
	%	*%*
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	2.80	3.25
Rate of increase in deferred pensions	2.80	3.25
Discount rate	5.80	5.50
Inflation assumption	2.80	3.25
Expected rate of return of scheme assets:		
Equities	5.85	6.50
Bonds	4.80	4.75
Cash	1.75	5.25
Life expectancy:		
Member age 65 (current life expectancy) - years	85	85
Member age 40 (current life expectancy) - years	86	86

The assets and liabilities of the scheme and the expected rate of return at 31 December are shown below. These are net of investment management expenses. As other expenses are paid separately by the Company, no account is taken of these.

	2008		*2007*	
	Long term rate of return expected	*Value*	*Long term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*
Scheme assets at fair value				
Equities/property	5.85	2,499	6.5	2,496
Bonds	4.80	2,529	4.75	2,423
Cash	1.75	-	5.25	6
Fair value of scheme assets		5,028		4,925
Present value of scheme liabilities		(4,238)		(4,700)
Defined benefit pension scheme surplus		790		225

Notes to the financial statements

at 31 December 2008

17. Net pension position (continued)

The pension surplus has not been recognised as the Company is not expected to be able to recover the surplus.

An analysis of the defined benefit cost for the year ended 31 December is as follows:

	2008 £000	2007 £000
Current service cost	-	-
Total operating charge	-	-
Other finance costs - expected return on pension scheme assets	255	273
Other finance costs - interest on pension scheme liabilities	(255)	(233)
Total other finance income	-	40

Included in the statement of total recognised gains and losses:

	2008 £000	2007 £000
Actual return on scheme assets	(585)	305
Less: expected return on scheme assets	(255)	(273)
	(840)	32
Experience gains/(losses) on scheme liabilities	9	(77)
Loss arising from changes underlying the present value of the scheme liabilities	-	173
	(831)	128

Changes in the present value of the defined benefit obligations are analysed as follows:

	2008 £000	2007 £000
As at 1 January	4,700	4,743
Interest cost	255	233
Actuarial gain	(574)	(96)
Benefits paid from scheme	(143)	(180)
As at 31 December	4,238	4,700

Notes to the financial statements

at 31 December 2008

17. Net pension position (continued)

Changes in the fair value of plan assets are analysed as follows:

	2008	*2007*
	£000	*£000*
As at 1 January	4,925	4,572
Expected return on scheme assets	255	273
Actuarial (loss)/gain on scheme assets	(840)	32
Employer contributions	831	228
Benefits paid from scheme	(143)	(180)
As at 31 December	5,028	4,925

	2008	*2007*	*2006*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme assets	5,028	4,925	4,572	4,044	3,418
Present value of defined benefit obligation	4,238	4,700	4,743	4,735	4,143
Surplus/(Deficit) in the scheme	790	225	171	691	725
Experience adjustments arising on plan liabilities	840	(32)	(154)	(455)	(114)
Difference between expected and annual return on scheme assets	(9)	77	(111)	(345)	(56)

18. Share-based payments

Certain employees are granted stock options and restricted stock in the equity of the operator's ultimate parent undertaking, Starwood Hotels & Resorts Worldwide Inc. The number of stock options and restricted stock received depends upon grade level and performance. The employees will receive cash or equity (depending on the scheme) that is linked to the price of equity instruments of the parent undertaking. It is the parent undertaking that is obliged to make the payments to the employees.

The company recognised a charge for employee compensation expense of £50,708 (2007: £53,342) during the year. The awards are settled by Starwood, the operator's parent company and the employee compensation expense recharged to SLC Turnberry Limited over the vesting period for the accruals. At period end the company has no direct liability to settle the awards through cash or equity.

Notes to the financial statements

at 31 December 2008

18. Share-based payments (continued)

2004 Long-Term Incentive Compensation Plan

Stock options have a vesting schedule (typically 4 years at 25% per annum). The expiry date of stock options is 8-10 years after vesting. Stock options entitle the employee to a future cash payment which can be redeemed at any time between vesting and expiry. Market values are used to calculate the stock values at date of grant.

Restricted stocks generally vest after 3 years. There is no expiry period on restricted stocks. Restricted stocks are equity settled once the vesting period has expired. Market values are used to calculate the stock values at date of grant.

All stocks are traded in the USA and valued in US Dollars. An exchange rate of 1.447 as at 31 December 2008 (1.997 for 2007) has been used to convert all values to Sterling.

The following table illustrates the number and weighted average exercise process (WAEP) and movements in stock options during the year.

	2008 No.	*2008 WAEP £*	*2007 No.*	*2007 WAEP £*
Outstanding as at 1 January	9,963	34.17	29,525	18.54
Granted during the year	1,754	37.39	1,317	33.46
Adjustments during the year	-	-	-	-
Exercised during the year	(1,628)	31.40	(20,879)	36.37
Outstanding as at 31 December	10,089	34.84	9,963	24.76
Exercisable as at 31 December	3,666	25.76	-	-

The weighted average share price at the date of exercise for the options exercised in 2008 is £31.40 (2007: £36.37).

The weighted average fair value per option for options granted during 2008 was £11.91 (2007: £10.29)

Notes to the financial statements

at 31 December 2008

18. Share-based payments (continued)

The fair value of the options granted is determined using a lattice valuation model. The following table lists the inputs to the model used for the year ending 31 December 2008 and 31 December 2007.

	31 Dec 2008 %	*31 Dec 2007 %*
Dividend yield	1.50	1.40
Volatility:		
- Near term	38	25
- Long term	36	37
Expected life	6 years	6 years
Yield curve:		
- 6 months	1.90	5.12
- 1 year	1.91	4.96
- 3 years	2.17	4.55
- 5 years	2.79	4.52
- 10 years	3.73	4.56

The dividend yield is based on historical data for the 12 month period immediately prior to the date of the grant.

The estimated volatility is based on a combination of historical share price volatility as well as implied volatility based on market analysis. The expected life represents the period that the parent company's (Starwood Hotels and Resorts Worldwide Inc) stock based awards are expected to be outstanding.

The yield is based on the implied zero coupon yield from US Treasury yield curve over the expected term of the option. For the share options outstanding as at 31 December 2008, the weighted average remaining contractual life is 13 months. (2007: 9 months)

19. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2008 £000	*2007 £000*
Amounts payable:		
Within one year	9	26
In two to five years	-	8
	9	34
Less: finance charges allocated to future periods	(1)	(5)
	8	29

Notes to the financial statements

at 31 December 2008

19. Obligations under finance leases and hire purchase contracts (continued)

Finance leases and hire purchase contracts are analysed as follows:

	2008	*2007*
	£000	*£000*
Current obligations (note 15)	8	22
Non-current obligations (note 16)	-	7
	8	29

20. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	Assets other than land and buildings	
	2008	*2007*
	£000	*£000*
Operating leases which expire:		
Within one year	7	4
In two to five years	13	67
	20	71

21. Share capital

	2008	*2007*
	£000	*£000*
Authorised		
Ordinary shares of £1 each	2	-

	2008	*2008*	*2007*	*2007*
	No.	*£000*	*No.*	*£000*
Allotted, called up and fully paid				
Ordinary shares of £1 each	2	-	2	-

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at 31 December 2008

22. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	*Capital redemption reserve £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 January 2007	-	18,374	(5,775)	12,599
Loss for the year	-	-	(725)	(725)
Actuarial gain/(loss) recognised on pensions	-	-	(97)	(97)
At 31 December 2007	-	18,374	(6,597)	11,777
Loss for the year	-	-	(11,167)	(11,167)
Actuarial loss recognised on pensions	-	-	(831)	(831)
At 31 December 2008	-	18,374	(18,595)	(221)

23. Ultimate parent undertaking

The immediate parent undertaking of the smallest such group is Leisurecorp Scotland Limited, a company registered in Scotland.

The ultimate parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Dubai World Corporation, a company incorporated in United Arab Emirates.

Copies of the financial statements of both companies can be obtained from Leisurecorp LLC, Jumeirah Golf Estates, Emirates Road, PO Box 262080, Dubai, United Arab Emirates.

24. Related party transactions

The company has utilised the exemption under FRS 8 as a wholly owned subsidiary not to disclose transactions with other entities that are part of, or investees of Leisurecorp LLC.